

Directors' Report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st December, 2002.

Principal Activities

The Company acts as an investment holding company and also manufactures and trades electrical and electronic products.

The principal activities of the principal subsidiaries and associates are set out in notes 40 and 41 to the financial statements, respectively.

Results and Appropriations

The results of the Group for the year ended 31st December, 2002 are set out in the consolidated income statement on page 34.

An interim dividend of HK6.0 cents per share amounting to HK\$38,695,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK10.0 cents per share to the shareholders on the register of members on 20th June, 2003, amounting to approximately HK\$64,572,000.

Property, Plant and Equipment

The Group continued to expand its business, and during the year spent approximately HK\$123,751,000 on moulds and tooling and acquired plant and machinery of approximately HK\$58,597,000, and office equipment, furniture and fixtures of approximately HK\$27,974,000. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 13 to the financial statements.

Share Capital

During the year, the Company issued 60,000,000 shares at a total consideration of approximately HK\$376,500,000 pursuant to a share placement and also issued 11,200,000 shares at a total consideration of approximately HK\$20,880,000 pursuant to the exercise of share options granted by the Company. Details of movements in the share capital of the Company during the year are set out in note 27 to the financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr Horst Julius Pudwill, Chairman and Chief Executive Officer

Mr Roy Chi Ping Chung, Managing Director

Mr Kin Wah Chan

Mr Chi Chung Chan

Dr Akio Urakami

Directors *(Continued)**Non-executive directors:*

Mr Susumu Yoshikawa

Mr Jianhua Liu (resigned on 17th January, 2002)

Independent non-executive directors:

Mr Vincent Ting Kau Cheung

Mr Joel Arthur Schleicher

Mr Christopher Patrick Langley

In accordance with Articles 94 and 103 of the Company's Articles of Association, Messrs Chi Chung Chan, Dr Akio Urakami and Vincent Ting Kau Cheung retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

No directors proposed for re-election at the forthcoming Annual General Meeting has a service contract, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Terms of Office of Non-Executive Directors and Independent Non-Executive Directors

The term of office for each of the non-executive directors and independent non-executive directors is the period up to his retirement by rotation in accordance with Article 103 of the Company's Articles of Association.

Directors' and Chief Executive's Interests in Shares

At 31st December, 2002, the interests of the directors, the chief executive and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of directors	Number of shares held			
	Personal interests	Family interests	Corporate interests	Other interests
Mr Horst Julius Pudwill	33,796,000	380,000	111,329,897(a)	—
Mr Roy Chi Ping Chung	54,750,974	68,000	18,537,515(b)	—
Mr Kin Wah Chan	1,060,000	—	—	—
Mr Chi Chung Chan	—	—	—	—
Dr Akio Urakami	—	—	—	—
Mr Susumu Yoshikawa	—	—	—	—
Mr Jianhua Liu	—	—	—	—
Mr Vincent Ting Kau Cheung	960,000	—	—	—
Mr Joel Arthur Schleicher	100,000	—	—	—
Mr Christopher Patrick Langley	150,000	—	—	—

Directors' and Chief Executive's Interests in Shares *(Continued)*

- (a) These shares were held by the following companies in which Mr Horst Julius Pudwill has a beneficial interest:

	No. of shares
Sunning Inc.	92,792,382
Cordless Industries Company Limited*	18,537,515
	111,329,897

- (b) These shares were held by Cordless Industries Company Limited*, in which Mr Roy Chi Ping Chung has a beneficial interest.

**Cordless Industries Company Limited is jointly owned by Messrs Horst Julius Pudwill and Roy Chi Ping Chung.*

Directors' and chief executive's interests in the share options granted by the Company are set out in the section "Share Options" in the Directors' Report.

Save as disclosed above and other than certain nominee shares in the subsidiaries and associates held in trust for the Group by certain directors, at 31st December, 2002, none of the directors or chief executive, or their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executive, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Share Options

Scheme adopted on 28th November, 1990 and expired on 27th November, 2000 ("Scheme A")

In accordance with the Company's share option scheme adopted pursuant to a resolution passed on 28th November 1990, the Board of directors may grant share options to eligible employees, including full-time executive directors or consultants of the Company and its subsidiaries, at nil consideration, to subscribe for shares in the Company. The purpose of the scheme is to provide incentives or rewards to directors and eligible employees.

Share options granted must be taken up within 21 days of the date of grant. Any share options granted can be exercised within the period commencing on the first anniversary of the date of grant of such share option and expiring at the close of business on the tenth anniversary thereof.

The subscription price is set at not less than the higher of the nominal value of the shares and 80% of the average of the last dealt prices on the five trading days immediately preceding the date of offer of the share option. The maximum number of shares in respect of which share options may be granted shall not exceed 10% of the issued share capital of the Company from time to time but excluding shares issued pursuant to the share option scheme, and shall not exceed 1% of the issued share capital in any one financial year.

Scheme A expired on 27th November, 2000.

Share Options *(Continued)*

Scheme adopted on 25th May, 2001 ("Scheme B")

Following the expiry of Scheme A in November 2000, a new share option scheme was adopted pursuant to a resolution passed on 25th May, 2001 for the purpose of providing incentives or rewards to directors and eligible employees. Under Scheme B, the Board of Directors of the Company may grant share options to eligible employees, including full-time officers and executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 per each grant of share option(s). Share options may be exercised at any time from the date which the offer of share options is accepted to the fifth anniversary thereof. The subscription price is set at not less than the nominal value of the shares and 80% of the average of the last dealt prices on the five trading days immediately preceding the date of offer of the share option.

The maximum number of shares in respect of which share options may be granted under Scheme B is not permitted to exceed 10% of the issued share capital of the Company from time to time. No employee shall be granted a share option which, if exercised in full, would result in such employee becoming entitled to subscribe for more than 25% of the aggregate number of shares for the time being issued and issuable under Scheme B.

Scheme B was terminated on 28th March, 2002 pursuant to a resolution passed on that date.

Scheme adopted on 28th March, 2002 ("Scheme C")

Following the termination of Scheme B, a new share option scheme was adopted pursuant to a resolution passed on 28th March, 2002 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme expires on 27th March, 2007. Under Scheme C, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

- (i) employees; or
- (ii) non-executive directors; or
- (iii) suppliers or customers; or
- (iv) any person or entity that provides research, development or other technological support; or
- (v) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 per each grant of share option(s). Share options may be exercised at any time from the date of grant to the fifth anniversary of the adoption date of Scheme C. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares on the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme C is not permitted to exceed 30% of the issued share capital of the Company from time to time or 10% of shares in issue as at the adoption date of Scheme C. No person shall be granted a share option which exceeds 1% of the shares in issue as at the adoption date.

Share Options (Continued)

The following table discloses movements in the Company's share options during the year:

Directors	Date share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Outstanding at end of the year	Subscription price HK\$	Exercise period
Mr Horst Julius Pudwill	6.6.2001	B	800,000	-	-	800,000	2.0920	6.6.2001-5.6.2006
	19.6.2001	B	3,000,000	-	-	3,000,000	2.2600	19.6.2001-18.6.2006
	5.7.2001	B	1,200,000	-	-	1,200,000	2.1480	5.7.2001-4.7.2006
	28.6.2002	C	-	12,864,000	-	12,864,000	7.2000	28.6.2002-27.6.2007
Mr Roy Chi Ping Chung	6.6.2001	B	1,000,000	-	-	1,000,000	2.0920	6.6.2001-5.6.2006
	19.6.2001	B	1,000,000	-	-	1,000,000	2.2600	19.6.2001-18.6.2006
	5.7.2001	B	1,000,000	-	-	1,000,000	2.1480	5.7.2001-4.7.2006
	28.6.2002	C	-	6,432,000	-	6,432,000	7.2000	28.6.2002-27.6.2007
Mr Kin Wah Chan	4.1.2000	A	1,200,000	-	1,200,000	-	1.0000	4.1.2001-3.1.2010
	6.6.2001	B	500,000	-	500,000	-	2.0920	6.6.2001-5.6.2006
	19.6.2001	B	500,000	-	500,000	-	2.2600	19.6.2001-18.6.2006
	30.4.2002	C	-	300,000	-	300,000	6.4000	30.4.2002-29.4.2007
	5.7.2002	C	-	200,000	-	200,000	6.7000	5.7.2002-4.7.2007
	18.10.2002	C	-	1,000,000	-	1,000,000	5.9000	18.10.2002-17.10.2007
Mr Chi Chung Chan	4.2.1994	A	500,000	-	500,000	-	1.2800	4.2.1995-3.2.2004
	5.6.2000	A	500,000	-	500,000	-	1.0144	5.6.2001-4.6.2010
	6.6.2001	B	500,000	-	-	500,000	2.0920	6.6.2001-5.6.2006
	19.6.2001	B	500,000	-	-	500,000	2.2600	19.6.2001-18.6.2006
	30.4.2002	C	-	300,000	-	300,000	6.4000	30.4.2002-29.4.2007
	5.7.2002	C	-	200,000	-	200,000	6.7000	5.7.2002-4.7.2007
Dr Akio Urakami	6.6.2001	B	250,000	-	-	250,000	2.0920	6.6.2001-5.6.2006
	30.4.2002	C	-	250,000	-	250,000	6.4000	30.4.2002-29.4.2007
	5.7.2002	C	-	100,000	-	100,000	6.7000	5.7.2002-4.7.2007
Mr Vincent Ting Kau Cheung	30.4.2002	C	-	200,000	-	200,000	6.4000	30.4.2002-29.4.2007
Mr Joel Arthur Schleicher	30.4.2002	C	-	100,000	-	100,000	6.4000	30.4.2002-29.4.2007
Mr Christopher Patrick Langley	30.4.2002	C	-	100,000	-	100,000	6.4000	30.4.2002-29.4.2007
Total for directors			12,450,000	22,046,000	3,200,000	31,296,000		
Employees	27.10.1997	A	100,000	-	-	100,000	1.1504	27.10.1998-26.10.2007
	1.4.1998	A	400,000	-	400,000	-	1.7440	1.4.1999-31.3.2008
	20.9.1999	A	100,000	-	-	100,000	1.1584	20.9.2000-19.9.2009
	27.11.1999	A	400,000	-	400,000	-	1.0800	27.11.2000-26.11.2009
	30.12.1999	A	100,000	-	-	100,000	0.9776	30.12.2000-29.12.2009
	4.1.2000	A	100,000	-	-	100,000	1.0000	4.1.2001-3.1.2010
	26.6.2000	A	100,000	-	100,000	-	1.4768	26.2.2001-25.6.2010
	8.6.2001	B	1,000,000	-	250,000	750,000	2.1960	8.6.2001-7.6.2006
	23.7.2001	B	10,500,000	-	6,750,000	3,750,000	2.1160	23.7.2001-22.7.2006
	10.10.2001	B	100,000	-	100,000	-	2.4750	10.10.2001-9.10.2006
	30.4.2002	C	-	8,625,000	-	8,625,000	6.4000	30.4.2002-29.4.2007
	31.5.2002	C	-	250,000	-	250,000	6.9800	31.5.2002-30.5.2007
	5.7.2002	C	-	1,000,000	-	1,000,000	6.7000	5.7.2002-4.7.2007
Total for employees			12,900,000	9,875,000	8,000,000	14,775,000		
Total			25,350,000	31,921,000	11,200,000	46,071,000		
Percentage to total Company's shares in issue at end of the year								
Total under Scheme A			3,500,000	-	3,100,000	400,000		0.06%
Total under Scheme B			21,850,000	-	8,100,000	13,750,000		2.13%
Total under Scheme C			-	31,921,000	-	31,921,000		4.94%
Total			25,350,000	31,921,000	11,200,000	46,071,000		7.13%

Share Options *(Continued)*

The closing prices of the Company's shares immediately before 30th April, 2002, 31st May, 2002, 28th June, 2002, 5th July, 2002 and 18th October, 2002, the dates of grant, were HK\$6.15, HK\$6.70, HK\$6.65, HK\$6.75 and HK\$5.75 respectively.

The fair values of the share options granted in the current year measured as at the dates of grant on 30th April, 2002, 31st May, 2002, 28th June, 2002, 5th July, 2002 and 18th October, 2002 were HK\$2.21, HK\$2.18, HK\$2.08, HK\$2.27 and HK\$1.97 respectively. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

Date of grant	Expected life of share options	Expected volatility based on historical volatility of share prices	Hong Kong Exchange Fund Notes rate	Expected annual dividend yield
30.4.2002	3 years	50%	4.09%	1.5%
31.5.2002	3 years	50%	3.97%	1.5%
28.6.2002	3 years	50%	3.46%	1.5%
5.7.2002	3 years	50%	3.49%	1.5%
18.10.2002	3 years	50%	3.03%	1.5%

For the purposes of the calculation of fair value, no adjustment has been made in respect of share options expected to be forfeited due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

No charge is recognised in the income statement in respect of the value of share options granted in the year.

Arrangements to Purchase Shares or Debentures

Other than as disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Directors' Interests in Contracts of Significance

No contract of significance, to which the Company, or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Substantial Shareholders

Other than the interests disclosed above in respect of certain directors and chief executives, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 31st December, 2002.

Corporate Governance

The Company has complied throughout the year ended 31st December, 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Donations

During the year, the Group made charitable and other donations totalling HK\$171,000.

Post Balance Sheet Events

Details of significant events occurring after the balance sheet date are set out in note 39 to the financial statements.

Auditors

A resolution will be submitted to the annual general meeting to re-appoint Messrs Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Horst Julius Pudwill

Chairman and Chief Executive Officer
Hong Kong,
15th April, 2003